

105TH CONGRESS
1ST SESSION

S. 285

To amend the Internal Revenue Code of 1986 to exclude from gross income any distribution from a qualified State tuition program used exclusively to pay qualified higher education expenses incurred by the designated beneficiary, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 1997

Mr. SHELBY (for himself, Mr. SESSIONS, Mr. DEWINE, Mr. HUTCHINSON, Mr. COCHRAN, and Mr. SMITH of New Hampshire) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income any distribution from a qualified State tuition program used exclusively to pay qualified higher education expenses incurred by the designated beneficiary, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tuition Tax Elimination Act”.

1 **SEC. 2. TAX-FREE DISTRIBUTIONS FROM QUALIFIED STATE**
 2 **TUITION PROGRAMS.**

3 (a) IN GENERAL.—Section 529(c)(3)(A) of the Inter-
 4 nal Revenue Code of 1986 (relating to distributions) is
 5 amended by striking “not excluded from gross income
 6 under any other provision of this chapter” and inserting
 7 “not used exclusively to pay qualified higher education ex-
 8 penses of the designated beneficiary”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section takes effect as if included in the amendments
 11 made by section 1806 of the Small Business Job Protec-
 12 tion Act of 1996.

13 **SEC. 3. SUSPENSION OF INFLATION ADJUSTMENTS FOR IN-**
 14 **DIVIDUALS WITH NO QUALIFYING CHILDREN.**

15 (a) IN GENERAL.—Section 32(j) of the Internal Rev-
 16 enue Code of 1986 (relating to inflation adjustments) is
 17 amended by adding at the end the following:

18 “(3) NO ADJUSTMENT FOR INDIVIDUALS WITH
 19 NO QUALIFYING CHILDREN.—This subsection shall
 20 not apply to each dollar amount contained in sub-
 21 section (b)(2) with respect to individuals with no
 22 qualifying children.”.

23 (b) EFFECTIVE DATE.—The amendment made by
 24 this section applies to taxable years beginning after
 25 December 31, 1996.